

## BUDGET PROCESS

### RECOMMENDED BUDGET PRACTICES

Gallatin County is incorporating the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB) in its annual budget, as time allows.

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. The NACSLB focuses on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources.

Following are excerpts of the NACSLB's budget practice recommendations.

### BUDGET DEFINITION

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budgeting decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

### MISSION OF THE BUDGET PROCESS

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. Communication and involvement with citizens and other stakeholders is stressed. Communication and involvement are essential components of every aspect of the budget process.

Gallatin County is committed to a balanced budget. This is consistent with state law, which requires revenues plus reallocated working capital to equal or exceed approved expenditures. Gallatin County conducts financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets. These planning processes also provide for the assessment of the condition of all major capital assets to help plan for the on-going financial commitments required to maximize the benefit of those assets to the public.

### PERFORMANCE BUDGETING

Gallatin County is moving to a Performance Budgeting approach for the development of its annual operating budget. Performance budgets emphasize the accomplishment of program objectives as opposed to a description of what is going to be purchased by the government.

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Performance budgeting involves a shift away from justification of line items (purchases) toward a debate regarding what is going to be provided and accomplished.

Gallatin County is in the early stages of its Performance Management / Budgeting efforts. Departments are in the process of identifying performance objectives, identifying and tracking workload indicators, and establishing quantifiable performance measures. It is anticipated that it will take 2 – 4 years to fully implement the performance management / budgeting system.

The following are the budget phases (steps) the county uses:

### 1) FINANCIAL TREND ANALYSIS PHASE

The budget process begins in the winter with the updating of the five-year financial trend analysis for the County as a whole.

Using the latest fiscal, operational, and legislative information, the finance staff works collaboratively with county elected officials and departments to update the county's most recent financial trend analysis.

The financial trend analysis assists the County Commission and the county administration in focusing on the "Big Picture" of the county's financial operations.

### 2) BASELINE BUDGET PHASE

The County Finance Office meets with the County Commission. The Commission identifies and sets budget parameters they will use in making their decisions.

The Finance Office projects available working capital, anticipated revenue, and adjusted expenses for the next fiscal year, based on the Commission parameters. The Commission reviews these projections, modifies, amends and approves them as the Baseline Budget.

The Baseline Budget is sent to all departments for consideration at the beginning of their deliberations. Departments are required to justify all requests beyond the approved Baseline.

### 3) NEEDS ASSESSMENT PHASE

Departments assess programs and needs. This includes examination of departmental programs and positions for trade-offs, reductions, or elimination. During this phase, departments are encouraged to thoroughly review all programs and services, assessing their value and priority to the citizens. Departments submit requests for new or expanded programs.

From this process, departments prepare their Requested departmental budgets and submit them to the Finance Office.

### 4) BUDGET PRIORITIZATION PHASE

The County Commission reviews department requests with a focus on needs above the Baseline Budget. The Commission reviews needs, determines tasks to be funded in conformance with goals and objectives and directs the preparation of the preliminary budget by the Finance Office. The preliminary budget includes proposed expenditures and the means of financing them.

The purpose of the preliminary budget is to enable the community and the County Commission to comment on a balanced budget well before it is adopted. The Commission deliberations on requests and the Preliminary Budget are accomplished during public meetings open to all interested persons.

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### 5) CAPITAL IMPROVEMENTS PROGRAM (CIP) PHASE

Gallatin County has a formally adopted Capital Improvement Plan (CIP). On a yearly basis the CIP Committee prepares recommendations on funding of the current year and the next 5 years capital project needs. The Commission takes this recommendation under consideration, modifies the recommendation and incorporates changes into the Preliminary Budget along with the Annual Operating Budget. Unlike the Annual Operating Budget, the CIP is a multi-year capital improvements plan that forecasts, but does not obligate, future spending for anticipated capital projects.

Whenever the County commits to a CIP plan, there is an associated long-range commitment of operating funds. For this reason, the county evaluates capital commitments in the context of their long-range operating impact. Most capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered. Such impacts vary widely from project to project and, as such, are evaluated individually.

The multi-year, long-range fiscal analysis also provides an opportunity to review the operating impact of growth-related future capital projects.

### 6) ADOPTION/IMPLEMENTATION PHASE

Public hearings are conducted enabling citizens and other interested parties to comment on the Preliminary Budget. Following the public hearings, the County Commission may modify the Preliminary budget or may adopt it without changes.

The budget and the corresponding property tax mill levy must be adopted by the 3rd Monday in August, or within 45 days of

receipt of the Certified Taxable Valuations from the State of Montana, Department of Revenue (DOR).

Management control of the budget is maintained by monthly revenue and expenditure reports, whereby departments are able to compare actual results to the budget throughout the fiscal year. In addition, the Finance Director prepares quarterly and a more detailed mid-year budget review on individual funds and on a county-wide basis, with presentations to the County Commission. These budget reviews examine expenditure patterns, and identify corrective action.

### 7) AMENDING THE BUDGET

Since the County Commission approves Expenditures in the categories of Personnel, Operations, Debt Service, Transfers and Capital, departments are authorized to expend within these categories without making line item budget transfers.

The county's budget may be increased or decreased during the course of the year, following public notice, a public hearing, and a majority vote of the County Commission. Department Heads present a Resolution of Intent to the County Commission. The Commission considers the Resolution of Intent. If approved, a formal public notice is forwarded to the newspaper, setting the date, time, reason, and funding source for the proposed budget amendment. At the public meeting, the Commission hears information from the public, Department Heads, and Finance Department. The County Commission considers the resolution and may approve, table, or deny the Budget Amendment.

If the Resolution is approved the Commission forwards the resolution to the Clerk & Recorder Accounting Office. The Accounting Office updates the county's computer system with all changes.

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## OPERATING BUDGET CALENDAR

<p><b>January</b></p> <p>Finance Office prepares estimated year end working capital (cash), estimates revenue for the coming year, and adjusts current year's budget to project next year's needs - information presented to County Commission.</p>	<p><b>February</b></p> <p>Finance Office presents approved estimated revenues, working capital and expenses for next year's budget to Elected Officials &amp; Department Heads - Elected Officials and Department Heads review and request changes.</p> <p>The Finance Office presents the Financial Trend Analysis.</p>	<p><b>March</b></p> <p>Finance Office updates all estimates, adjusts expenses for known one time expenses and adjustments, presents updated estimates to County Commission, recommends reserve for wage adjustments, operational expense adjustment and changes to capital reserves.</p>
<p><b>April</b></p> <p>Budget meeting held - forms are presented and explanation of available funds, forms and process is made to Elected Officials and Departments Heads. Departments present needs for their departments.</p>	<p><b>May</b></p> <p>Elected Officials and Department Heads submit budgets requests.</p> <p>Commission sends request to all Elected Officials and Department Heads to review current budgets, amend requested increases and identify new revenue sources to allow for wage adjustments and funding of budget goals.</p>	<p><b>June</b></p> <p>County Commission meets on requests and develops proposed budget. Finance Office prepares preliminary budget information for elected officials and department heads. Commission reviews, amends and approves preliminary budget and sets hearing dates for Public, Elected Officials and Departments to present requested changes to the Preliminary Budget. Public Hearings scheduled.</p>
<p><b>July</b></p> <p>Commission holds public hearings on Preliminary Budget. Elected Officials and Department Heads prepare requested changes to budget. Requested changes presented at public meeting to provide information to the public as well as the County Commission. No decisions made by Commission until after final Public Hearing.</p>	<p><b>August</b></p> <p>Final Public Meeting held on budget. Commission approves Resolutions. Finance Office prepares information for Commission to send to Elected Officials and Departments. Finance Office updates Proposed Budget for final personnel changes and adjustments approved by County Commission. Final Budget Document distributed to all interested parties.</p>	<p><b>September</b></p> <p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>
<p><b>October</b></p> <p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>	<p><b>November</b></p> <p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>	<p><b>December</b></p> <p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>